

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/13/11

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2010

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VILLAGE OF EPPS
 Epps, Louisiana
 Annual Financial Statements
 As of and for the Year Ended December 31, 2010

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M. CARLEEN DUMAS
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Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Epps, as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Epps, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 28, 2011, on my consideration of the Village of Epps' internal control over financial reporting and on my tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2010

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8, and the budgetary comparison information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Epps' financial statements as a whole. The Schedule of Per Diem Paid Aldermen and the Status of Prior Year Findings presented as other supplemental information, are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s Carleen Dumas
Calhoun, Louisiana
June 28, 2011

VILLAGE OF EPPS
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

Our discussion and analysis of Village of Epps' (hereafter referred to as the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the Village's basic financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole. Fund financial statements provide information on how the general activities of the Village are financed in the short term as well as what remains for future spending. Fund financial statements report the Village's operations in more detail than the government-wide statements.

**Reporting the Village as a Whole - The Statement of Net Assets
and the Statement of Activities**

Our analysis of the Village as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's *net assets* and the changes in them. Net assets - the difference between assets (what the Village owns) and liabilities (what the Village owes) is a way to measure the financial position of the Village. Over time, increases or decreases in the Village's net assets are an indicator of whether the Village's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Village is divided into two kinds of activities:

Governmental activities - all of the Village's governmental services are reported here including the police department, community development, and general administration.

Business-type activities - the Village's water and sewer system is reported here.

Reporting the Village's Funds - Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds. The General Fund is the operating fund of the Village and accounts for all of the financial resources of the general government. The LCDBG Capital Projects Fund was required to be established by the federal grantor. The Water and Sewer Enterprise Fund was established by the Village to help it control and manage money for particular purposes. The Village's two kinds of funds - governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

COMPARATIVE ANALYSIS OF FINANCIAL DATA

The Village's total net assets increased by \$200,426 during 2010. The increase in net assets is primarily due to the village receiving a donation of land valued at \$220,000 and the construction of capital assets financed with federal and local grants. The following presents an analysis of net assets and changes in net assets of the Village's governmental and business-type activities:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$22,351	\$103,681	\$51,558	\$91,730	\$73,909	\$195,411
Restricted assets			41,606	38,001	41,606	38,001
Capital assets	<u>570,450</u>	<u>362,629</u>	<u>1,497,903</u>	<u>1,417,211</u>	<u>2,068,353</u>	<u>1,779,840</u>
Total assets	<u>592,801</u>	<u>466,310</u>	<u>1,591,067</u>	<u>1,546,942</u>	<u>2,183,868</u>	<u>2,013,252</u>
Liabilities						
Current liabilities	86,874	99,745	38,475	36,918	125,349	136,663
Long-term liabilities			<u>298,818</u>	<u>317,314</u>	<u>298,818</u>	<u>317,314</u>
Total liabilities	<u>86,874</u>	<u>99,745</u>	<u>337,293</u>	<u>354,232</u>	<u>424,167</u>	<u>453,977</u>
Net Assets						
Invested in capital assets, net of related debt	570,450	362,629	1,179,845	1,081,519	1,750,295	1,444,148
Restricted			41,606	38,001	41,606	38,001
Unrestricted (deficit)	<u>(64,523)</u>	<u>3,936</u>	<u>32,323</u>	<u>73,190</u>	<u>(32,200)</u>	<u>77,126</u>
Total net assets	<u>505,927</u>	<u>366,565</u>	<u>1,253,774</u>	<u>1,192,710</u>	<u>1,759,701</u>	<u>1,559,275</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$186,915	\$308,524	\$137,543	\$132,305	\$324,458	\$440,829
Operating grant	29,893		18,456		48,349	
Capital grants	167,327	69,882			167,327	69,882
General revenues						
Franchise taxes	15,459	13,066			15,459	13,066

Investment earnings		80	137	80	137	160
Other	2,938	3,853			2,938	3,853
Special item - gain on sale of fixed assets	4,857	2,500			4,857	2,500
Special item - donated land	220,000				220,000	
Transfers	<u>(107,965)</u>	<u>4,250</u>	<u>107,965</u>	<u>(4,250)</u>		
Total revenue, special items, and transfers	<u>519,424</u>	<u>402,155</u>	<u>264,101</u>	<u>128,135</u>	<u>783,525</u>	<u>530,290</u>
Program expenses						
General government	380,062	353,966			380,062	353,966
Water and sewer			203,037	148,423	203,037	148,423
Total expenses	<u>380,062</u>	<u>353,966</u>	<u>203,037</u>	<u>148,423</u>	<u>583,099</u>	<u>502,389</u>
Change in net assets	139,362	48,189	61,064	(20,288)	200,426	27,901
Net assets - beginning	<u>366,565</u>	<u>318,376</u>	<u>1,192,710</u>	<u>1,212,998</u>	<u>1,559,275</u>	<u>1,531,374</u>
Net assets - ending	<u>\$505,927</u>	<u>\$366,565</u>	<u>\$1,253,774</u>	<u>\$1,192,710</u>	<u>\$1,759,701</u>	<u>\$1,559,275</u>

The Village's total revenues, special items and transfers increased \$253,235 due to the construction of the sewer system improvements that was financed with federal and local grant funds and donated land valued at \$220,000. Total expenses increased \$80,710 due primarily to increase in salaries, repairs and maintenance and utilities.

Governmental Funds

Total revenue, special items, and transfers for governmental activities increased \$117,269 from revenues, special items, and transfers of the prior year due to the net effect of a \$117,515 decrease in rent revenue and the Village receiving donated land valued at \$220,000. The expenses of the governmental activities increased \$26,096 from expenses of the prior year due primarily to increases in salaries.

Business-Type Activities

The Village's charges for services for its business-type activities increased \$5,238 from the prior year and total current year revenues included a \$18,456 operating grant that paid for repairs and maintenance to the water system. Total expenses increased \$54,614 primarily due to an increase in repairs and maintenance and utilities and telephone expense.

OVERALL FINANCIAL POSITION

The Village's net assets increased \$200,426 as a result of this year's operations. The business-type activities had an increase in net assets of \$61,064 due to the completion and transfer of the sewer system improvements accounted for in the LCDBG Capital Projects Fund and the governmental activities had a net increase of \$139,362 that can be attributed to donated land received valued at \$220,000. Unrestricted net assets (those assets available to finance the daily operations of the Village) were a \$32,200 deficit at year end. Assets restricted for debt service were \$41,606 at year end. The amount invested in capital assets, net of related debt, was \$1,750,295 at year end.

VILLAGE'S FUNDS

At the end of the year, the Village's General Fund reported a deficit fund balance of \$67,672. The decrease in fund balance for 2010 was \$71,730 due primarily to a \$109,988 decrease in rent revenue from the West Carroll Detention Center. The Water and Sewer Enterprise Fund reported net assets of \$1,253,774 at year end. The increase in net assets was \$61,064 for 2010 due to the completion and transfer of the sewer system improvements accounted for in the LCDBG Capital Projects Fund in the amount of \$142,706. The LCDBG Capital Projects Fund reported a fund balance of \$3,149 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village amended its General Fund budget one time during 2010. At year end, actual revenues and other financing sources were \$63,686 less than budgeted revenues and other financing sources and actual expenditures were \$13,694 more than budgeted expenditures. The Village prepares its General Fund budget on the modified accrual basis of accounting.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the Village had capital assets (net of accumulated depreciation) totaling \$2,068,353. Capital assets include land, buildings, the water and sewer systems and improvements, and vehicles and equipment, costing \$1,000 or more. The Village has elected not to report major general infrastructure assets such as roads, bridges, sidewalks, etc., that were purchased or constructed prior to January 1, 2002.

The Village purchased land costing \$29,000, equipment costing \$42,222, and added on to the maintenance shed at a cost of \$8,617. The village also received donated land valued at \$220,000 and completed the 2009 sewer improvement project at a total cost of \$142,706. The Village sold old equipment resulting in a gain from the sale of capital assets of \$4,587. Additional information about the Village's capital assets is presented in the notes to the financial statements.

Debt

At year end the Village had \$318,058 in outstanding revenue bonds payable. Additional information about the Village's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village prepared its 2011 General Fund budget on the assumption that revenues and other financing sources will increase approximately \$35,654 and expenditures will decrease approximately \$48,444 from 2010 actual amounts. The increase in revenues and other financing sources is due primarily to an anticipated increase in transfers from Water and Sewer Enterprise Fund and the decrease in expenditures is primarily due to an anticipated decrease in capital outlay expenditures. The Village also plans to levy a 7.23 mill property tax for the General Fund for 2011. The Village expects the Water and Sewer Enterprise Fund's 2011 revenues to increase approximately \$20,000 due to a \$5 rate increase implemented in January 2011 and expenses of the Water and Sewer Enterprise Fund are anticipated to be fairly constant for 2011 except for transfers to the General Fund which are expected to increase.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS
December 31, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$5,464	\$39,502	\$44,966
Receivables (net of allowances for uncollectibles)	16,887	12,056	28,943
Restricted assets - certificates of deposit		41,606	41,606
Capital assets (net)	570,450	1,497,903	2,068,353
TOTAL ASSETS	592,801	1,591,067	2,183,868
LIABILITIES			
Accounts payable	38,299	3,569	41,868
Accrued payroll liabilities	48,575		48,575
Sales tax payable		484	484
Customer deposits		7,358	7,358
Accrued interest payable		7,824	7,824
Long-term liabilities:			
Due within one year		19,240	19,240
Due in more than one year		298,818	298,818
TOTAL LIABILITIES	86,874	337,293	424,167
NET ASSETS			
Invested in capital assets, net of related debt	570,450	1,179,845	1,750,295
Restricted for debt service		41,606	41,606
Unrestricted (deficit)	(64,523)	32,323	(32,200)
TOTAL NET ASSETS	\$505,927	\$1,253,774	\$1,759,701

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	Charges for Services		Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES:								
General government	\$380,062	\$186,915	\$29,893	\$167,327	\$4,073		\$4,073	\$4,073
BUSINESS-TYPE ACTIVITIES:								
Water and sewer service	203,037	137,543	18,456					
Total government	<u>\$583,099</u>	<u>\$324,458</u>	<u>\$48,349</u>	<u>\$167,327</u>	<u>4,073</u>	<u>(\$47,038)</u>	<u>(47,038)</u>	<u>(42,965)</u>
GENERAL REVENUES, TRANSFERS AND SPECIAL ITEMS:								
General revenues:								
Franchise taxes					15,459		15,459	
Investment earnings						137	137	
Other revenues					2,938		2,938	
Special items:								
Gain on sale of capital assets					4,857		4,857	
Donation of land					220,000		220,000	
Transfers					(107,965)	107,965		
Total general revenues, transfers, and special items					135,289	108,102	243,391	
CHANGE IN NET ASSETS					139,362	61,064	200,426	
NET ASSETS - BEGINNING					366,565	1,192,710	1,559,275	
NET ASSETS - ENDING					<u>\$505,927</u>	<u>\$1,253,774</u>	<u>\$1,759,701</u>	

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2010

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$386	\$5,078	\$5,464
Receivables	16,887		16,887
Due from other funds	200		200
	<u>\$17,473</u>	<u>\$5,078</u>	<u>\$22,551</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$36,570	\$1,729	\$38,299
Accrued payroll liabilities	48,575		48,575
Due to other funds		200	200
Total liabilities	85,145	1,929	87,074
Fund balance - unreserved (deficit)	<u>(67,672)</u>	<u>3,149</u>	<u>(64,523)</u>
	<u>\$17,473</u>	<u>\$5,078</u>	<u>\$22,551</u>

**Reconciliation of the Balance Sheet of Governmental
Funds To the Statement of Net Assets:**

Fund balances - unreserved (deficit) - Total Governmental Funds	(\$64,523)
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	570,450
Net assets of governmental activities (Statement A)	<u>\$505,927</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Franchise taxes	\$15,459		\$15,459
Licenses and permits	14,387		14,387
Intergovernmental revenue:			
State grants	59,000		59,000
Federal grants	892	\$97,750	98,642
Local grants	5,000	34,577	39,577
Fines	41,983		41,983
Rent	128,043		128,043
Mowing	2,503		2,503
Other revenues	2,938		2,938
Total revenues	<u>270,205</u>	<u>132,327</u>	<u>402,532</u>
EXPENDITURES			
General government:			
Personal services	233,817		233,817
Operating services	76,073		76,073
Materials and supplies	23,635		23,635
Travel and other	8,497		8,497
Community development - facilities construction		129,056	129,056
Capital outlay	42,222		42,222
Total expenditures	<u>384,244</u>	<u>129,056</u>	<u>513,300</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(114,039)</u>	<u>3,271</u>	<u>(110,768)</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfer in	34,741		34,741
Proceeds from sale of fixed assets	7,568		7,568
Total other financing sources (uses)	<u>42,309</u>	<u>NONE</u>	<u>42,309</u>
NET CHANGE IN FUND BALANCES	<u>(71,730)</u>	<u>3,271</u>	<u>(68,459)</u>
FUND BALANCE (Deficit) AT BEGINNING OF YEAR	<u>4,058</u>	<u>(122)</u>	<u>3,936</u>
FUND BALANCE (Deficit) AT END OF YEAR	<u>(\$67,672)</u>	<u>\$3,149</u>	<u>(\$64,523)</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement D

VILLAGE OF EPPS

Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended December 31, 2010

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities:	
Net change in fund balances - Total Governmental Funds	(\$68,459)
Amount reported for governmental activities in the Statement of Activities (Statement B) is different because:	
Governmental funds report capital outlays and facilities construction as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and facilities construction exceeded depreciation expense in the current period.	133,238
The completion of the project in the LCDBG Capital Projects Fund that is reported as a transfer of capital assets to the Water and Sewer Enterprise Fund in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(142,706)
Donated land that is reported as a special item in the statement of activities does not provide current financial resources and therefore is not reported as revenue in the governmental funds.	220,000
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book values of the assets.	<u>(2,711)</u>
Change in net assets of governmental activities (Statement B) (Concluded)	<u><u>\$139,362</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES
December 31, 2010

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$39,502
Accounts receivable (net of allowance for doubtful accounts)	12,056
Total current assets	<u>51,558</u>
Noncurrent assets:	
Restricted assets - certificates of deposit	41,606
Capital assets (net of accumulated depreciation)	1,497,903
Total noncurrent assets	<u>1,539,509</u>
Total assets	<u>1,591,067</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$3,569
Sales tax payable	484
Accrued interest payable	7,824
Current portion of long-term debt	19,240
Customer deposits	7,358
Total current liabilities	<u>38,475</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	298,818
Total liabilities	<u>337,293</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,179,845
Restricted for debt service	41,606
Unrestricted	32,323
Total net assets	<u>\$1,253,774</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2010

	Water and Sewer Enterprise Fund
OPERATING REVENUES	
Water sales	\$78,086
Sewer fees	54,783
Penalties	4,644
Other	30
Total operating revenue	<u>137,543</u>
OPERATING EXPENSES	
Office supplies	434
Accounting	4,888
Advertising	274
Gas, oil, and fuel	1,214
Postage	1,126
Repairs and maintenance	26,885
Utilities and telephone	22,264
Supplies	5,135
Insurance	14,023
Miscellaneous	3,208
Fees and dues	918
Water and sewer analysis	5,592
Depreciation	99,632
Total operating expenses	<u>185,593</u>
OPERATING INCOME (Loss)	<u>(48,050)</u>
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	137
State grant	18,456
Transfers to General Fund	(34,741)
Transfer of capital assets from LCDBG Capital Projects Fund	142,706
Interest expense	(17,444)
Total non-operating revenues	<u>109,114</u>
CHANGE IN NET ASSETS	61,064
NET ASSETS - BEGINNING	<u>1,192,710</u>
NET ASSETS - ENDING	<u>\$1,253,774</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2010

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$144,055
Customer meter deposits (net)	808
Payments to suppliers	<u>(84,856)</u>
Net cash provided by operating activities	<u>60,007</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	<u>(34,741)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(17,634)
Interest paid on capital debt	(18,663)
Purchase of capital assets	(37,617)
State grant	18,456
Increase in restricted cash - certificates of deposit	<u>(3,605)</u>
Net cash used by capital and related financing activities	<u>(59,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>137</u>
NET DECREASE IN CASH	<u>(33,660)</u>
CASH AT BEGINNING OF YEAR	<u>73,162</u>
CASH AT END OF YEAR	<u><u>\$39,502</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>(\$48,050)</u>
Adjustments:	
Depreciation	99,632
Decrease in accounts receivable	6,512
Increase in customer meter deposits	808
Decrease in sales tax payable	(137)
Increase in accounts payable	<u>1,242</u>
Total adjustments	<u>108,057</u>
Net cash provided by operating activities	<u><u>\$60,007</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

INTRODUCTION

The Village of Epps was incorporated under the provisions of the Lawrason Act in 1939. The village is governed by the mayor-board of aldermen form of government. The mayor and three aldermen serve four-year terms which expire on December 31, 2014. The aldermen receive a per diem of \$75 per regular meeting and \$37 for each special meeting. The village provides general government, public safety, and water and sewer services to its residents. The village has a full-time clerk, an elected Chief of Police and eight other employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village of Epps is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The village has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village of Epps. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF EPPS
Notes to the Financial Statements

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Franchise taxes, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the village.

The Village of Epps reports the following governmental funds:

General Fund

The General fund is the general operating fund of the village and accounts for all financial resources of the general government.

Capital Projects - LCDBG Fund

The LCDBG Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's sewer system. The project was completed during 2010.

VILLAGE OF EPPS
Notes to the Financial Statements

The Village of Epps reports the following business-type activity fund:

Water and Sewer Enterprise Fund

The Water and Sewer Enterprise fund accounts for the operations of the village's water and sewer systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and business-type activities fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided and capital grants. General revenues include all taxes, interest and other miscellaneous revenue.

Business-type activities funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. The Water and Sewer Enterprise Fund's operating revenues consist of charges for water and sewer sales and penalties. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Deposits

The village's cash and restricted cash are amounts in demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. State law allows the village to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments.

D. Receivables

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances

VILLAGE OF EPPS
Notes to the Financial Statements

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Trade receivables are generally shown net of an allowance for uncollectible amounts. The allowance for uncollectibles is based a percentage of past due accounts at year-end.

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement. The village first uses unrestricted assets when both restricted and unrestricted assets are available for a specified purpose.

F. Capital Assets

Capital assets, which include land, buildings, the water and sewer systems and improvements, and vehicles and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Approximately 90 percent of the village’s capital assets have been capitalized at cost and the remaining 10 percent have been capitalized at estimated cost based on the historical cost of similar assets. The Village of Epps maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. The village has elected not to report general infrastructure assets, such as roads, bridges, sidewalks, etc., constructed prior to January 1, 2002.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest has been incurred in connection with the construction during the year ended December 31, 2010.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water and sewer system and improvements	25 years
Buildings	25 - 40 years
Vehicles and equipment	5-20 years

G. Compensated Absences

The village has the following policy relating to vacation and sick leave:

Permanent, full-time employees receive from five to fifteen days of vacation leave depending on length of service on the employee's anniversary date of employment. Employees may not accumulate or carry over annual leave from one anniversary date of employment to another. Sick leave is earned at the rate of one day for each month worked, however, no employee may accumulate more than ten days of sick leave per year, nor accumulate more than a total of thirty days of sick leave. Employees who resign, retire, or who are dismissed from employment will not be paid for accumulated sick leave.

H. Long-Term Obligations

In the government-wide financial statements and the Water and Sewer Enterprise Fund fund financial statements, long-term debt is reported as a liability in the applicable governmental activities and business-type activities statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2010, the village's governmental fund balances were unreserved and undesignated.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2010 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$17,444
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$17,444</u>

VILLAGE OF EPPS
Notes to the Financial Statements

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget Information

The Village of Epps uses the following budget practices:

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is presented to the board of aldermen in December each year. The budget is legally adopted by the board of aldermen and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. There was one budget amendment during the year ended December 31, 2010.

B. Budget Variances

The following individual fund had actual expenditures over budgeted appropriations for the year ended December 31, 2010:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$320,200</u>	<u>\$370,550</u>	<u>\$384,244</u>	<u>\$13,694</u>

The following individual fund had actual revenues and other financing sources less than budgeted revenues and other financing sources for the year ended December 31, 2010:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$350,900</u>	<u>\$376,200</u>	<u>\$312,514</u>	<u>\$63,686</u>

C. Fund Balance Deficit

The General Fund had a \$67,672 deficit in unreserved fund balance at December 31, 2010. The village plans to eliminate this deficit by reducing expenditures, levying a 7.23 mills property tax in 2011 and negotiating a settlement for the amount due the Internal Revenue Service for unpaid payroll taxes, penalties, and interest recorded in accounts payable and accrued payroll liabilities at December 31, 2010.

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2010, the village has cash and restricted cash - certificates of deposit (book balances) as follows:

VILLAGE OF EPPS
Notes to the Financial Statements

Checking accounts	\$44,966
Short-term investments - certificates of deposit	<u>41,606</u>
Total	<u>\$86,572</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2010, these deposits are secured from risk by federal deposit insurance .

4. RECEIVABLES

The following is a summary of receivables at December 31, 2010:

	General Fund	Water and Sewer Enterprise Fund	Total
Franchise taxes	\$2,846		\$2,846
Rent	12,976		12,976
Charges for services	1,065	\$14,061	15,126
Allowance for doubtful accounts		<u>(2,005)</u>	<u>(2,005)</u>
Total	<u>\$16,887</u>	<u>\$12,056</u>	<u>\$28,943</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2010:

	Due From Other Funds	Due To Other Funds
General Fund	\$200	
LCDBG Capital Projects Fund		<u>\$200</u>
Total	<u>\$200</u>	<u>\$200</u>

The amount due to the General Fund is for administrative costs associated with the federal grant. All interfund balances are expected to be repaid at the end of the grant period.

VILLAGE OF EPPS
Notes to the Financial Statements

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2010, is as follows:

	Balance at January 1, 2010	Increases	Decreases	Balance at December 31, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$14,000	\$220,000	NONE	\$234,000
Construction in progress	13,650	129,056	(\$142,706)	NONE
Total assets not being depreciated	<u>27,650</u>	<u>349,056</u>	<u>(142,706)</u>	<u>234,000</u>
Capital assets being depreciated:				
Buildings	432,032			432,032
Vehicles and equipment	219,135	42,222	(20,400)	240,957
Total capital assets being depreciated	<u>651,167</u>	<u>42,222</u>	<u>(20,400)</u>	<u>672,989</u>
Less accumulated depreciation for:				
Buildings	218,542	10,800		229,342
Vehicles and equipment	97,646	27,240	(17,689)	107,197
Total accumulated depreciation	<u>316,188</u>	<u>38,040</u>	<u>(17,689)</u>	<u>336,539</u>
Total assets being depreciated, net	<u>334,979</u>	<u>4,182</u>	<u>(2,711)</u>	<u>336,450</u>
Total assets, net	<u>\$362,629</u>	<u>\$353,238</u>	<u>(\$145,417)</u>	<u>\$570,450</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	NONE	\$29,000	NONE	\$29,000
Capital assets being depreciated:				
Water and sewer systems and improvements	2,596,627	142,706		2,739,333
Building	2,618	8,617		11,235
Equipment	23,268			23,268
Total capital assets being depreciated	<u>2,622,513</u>	<u>151,323</u>	NONE	<u>2,773,836</u>

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2010	Increases	Decreases	Balance at December 31, 2010
Less accumulated depreciation for:				
Water and sewer systems and improvements	\$1,185,861	\$98,325		\$1,284,186
Building	1,129	334		1,463
Equipment	18,311	973		19,284
Total accumulated depreciation	<u>1,205,301</u>	<u>99,632</u>	<u>NONE</u>	<u>1,304,933</u>
Total assets being depreciated, net	<u>1,417,212</u>	<u>51,691</u>	<u>NONE</u>	<u>1,468,903</u>
Total assets, net	<u><u>\$1,417,212</u></u>	<u><u>\$80,691</u></u>	<u><u>NONE</u></u>	<u><u>\$1,497,903</u></u>

The 2009 sewer improvement project accounted for in the LCDBG Capital Projects Fund was completed during 2010 and the cost of the completed project (\$142,706) was transferred to the Water and Sewer Enterprise Fund.

Depreciation expense of \$38,040 was charged to the general government governmental function and \$99,632 was charged to the water and sewer business-type activities function for the year ended December 31, 2010.

7. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2010:

	Transfer In	Transfer Out
General Fund	\$34,741	
Water and Sewer Enterprise Fund		\$34,741
Total	<u>\$34,741</u>	<u>\$34,741</u>

The transfers were made to fund a portion of the salaries, payroll taxes, and capital outlay expenditures paid from the General Fund that benefitted both funds.

9. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations transactions for the year ended December 31, 2010:

VILLAGE OF EPPS
Notes to the Financial Statements

	<u>Revenue Bonds Payable</u>
Balance January 1, 2010	\$335,692
Additions	NONE
Reductions	<u>(17,634)</u>
Balance at December 31, 2010	<u>\$318,058</u>

Interest expense of \$17,444 was charged to the water and sewer business-type activities function for the year ended December 31, 2010.

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2010:

	<u>Revenue Bonds Payable</u>
Current portion	\$19,240
Long-term portion	<u>298,818</u>
Total	<u>\$318,058</u>

Revenue bonds payable in the amount of \$318,058 have maturities from 2011 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$19,240 and \$17,057, respectively. The individual bonds are as follows:

	<u>\$237,000 Bonds</u>	<u>\$13,000 Bonds</u>	<u>\$359,000 Bonds</u>
Original issue date	4/5/88	4/5/88	5/22/96
Interest rate	6.00%	6.125%	4.50%
Final payment due	4/5/29	4/5/29	5/20/19
Interest to maturity	\$115,604	\$6,539	\$30,826
Principal outstanding	\$172,605	\$9,529	\$135,924
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2011	\$19,240	\$17,057	\$36,297
2012	20,194	16,103	36,297
2013	21,195	15,102	36,297
2014	22,247	14,050	36,297

VILLAGE OF EPPS
Notes to the Financial Statements

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2015	\$23,352	\$12,945	\$36,297
2016 - 2020	106,150	46,501	152,651
2021 - 2025	58,581	25,112	83,693
2026 - 2029	<u>47,099</u>	<u>6,099</u>	<u>53,198</u>
Total	<u>\$318,058</u>	<u>\$152,969</u>	<u>\$471,027</u>

10. RESTRICTED NET ASSETS

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1988 Water Revenue Bonds discussed in note 9 above, require the village to establish the following reserve accounts:

- A. A "Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Reserve Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Sinking Fund each month until \$16,738 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not available in the Sinking Fund.
- C. A "Contingency Fund". The village must transfer \$66 into this fund each month. The deposits in this fund may be used for unusual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1996 Sewer Revenue Bonds discussed in note 8 above, require the village to establish the following reserve accounts:

- A. A "Reserve Fund". The village must transfer \$82 into this fund each month until \$19,558 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which would otherwise be in default.

VILLAGE OF EPPS
Notes to the Financial Statements

- B. A "Contingency Fund". The village must transfer \$97 into this fund each month. The deposits in this fund may be used to care for depreciation, extensions, additions, improvements, and replacements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve fund.

At December 31, 2010 the village has \$41,606 in restricted accounts to meet reserve requirements. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 2010:

Reserve for revenue bonds payable at January 1, 2010	\$38,001
Interest earnings	137
Deposits	<u>3,468</u>
Reserve for bonds payable at December 31, 2010	<u>\$41,606</u>

12. PENSION PLAN

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees' Retirement System (the "System") of Louisiana. However, persons employed as full-time police officers by a municipality which is mandatorily covered by social security and has not excluded its police officers from such coverage are not mandated to become members. Membership in this retirement system shall be at the sole option of the employee. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final average salary for each year of creditable service, not to exceed 100% of their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Village is required to contribute an actuarially determined rate. The rate varied in 2010 from 11% to 25% of annual covered payroll. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village's contributions to the System for the year ended December 31, 2010 were \$3,959, equal to the required contributions for the year.

13. ON-BEHALF PAYMENTS FOR SALARIES

For the year ended December 31, 2010, the Village recognized revenue and expenditures of \$24,000 in salary supplements from the State of Louisiana paid directly to employees of the police department.

14. GOING CONCERN

The Village's General Fund had a deficit in unreserved fund balance of \$67,672 at December 31, 2010. The deficit arose during 2010 due to expenditures exceeding revenues and other financing sources by \$71,730. The rental revenues received from the West Carroll Detention Center during 2010 declined \$109,988 from the prior year amount due to a decline in the number of inmates held at the facility. Management of the Village plan to offset this decline in rental revenue by reducing expenditures, levying a 7.23 mill property tax in 2011, and negotiating with the IRS to have \$30,851 in accrued interest and penalties abated. Management of the Village also stated that monthly rental revenues from the West Carroll Detention Center have increased during 2011 from the 2010 amounts due to an increase in the number of inmates being held there during 2011. The Village also raised water rates in January 2011 in order to generate more revenue in the Water and Sewer Enterprise Fund. This increase in revenue will allow the Water and Sewer Enterprise Fund to pay its share of operating expenses such as salaries, utilities, and insurance that have been paid entirely by the General Fund in prior years.

15. RISK MANAGEMENT AND CONTINGENT LIABILITIES

The village purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The village is involved in one lawsuit at December 31, 2010. In the opinion of legal counsel, resolution of this lawsuit will not result in any liability in excess of insurance coverage, therefore, no provision for any liability is recorded in the accompanying financial statements.

During the year ended December 31, 2010, the village received \$97,750 in grant revenues from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's water system. Costs charged to the grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the village has not complied with the rules and regulations governing the grant, refunds of any money received may be required. In the opinion of the village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

16. OPERATING AGREEMENT

In September 1996, the village entered into an agreement with Correctional Operations Management Company, L.L.C., (COMCO) to become the sponsoring agent for COMCO to operate and manage the facility known as West Carroll Detention Center. The village agreed to sponsor COMCO and lease property to them for an original term of five years. The agreement contains an option to extend the term of sponsorship and lease agreement for three additional five year terms. During 2003, COMCO changed the name of its operation to Emerald Corporation. During 2008, the village restructured the agreement with Emerald Corporation. During the year ended December 31, 2010, the village received \$125,862 from Emerald Corporation from the restructured agreement and the rental of the fish plant.

17. SUBSEQUENT EVENTS

In January 2011, the Village raised its water rates \$5 per meter in order to help offset the revenue shortfall resulting from the decline in rental revenue from the West Carroll Detention Center. The board of aldermen passed a resolution in June 2011 to levy a 7.23 mills property tax for the General Fund beginning with the 2011 tax year.

The Village of Epps has evaluated subsequent events through June 28, 2011, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EPPS
Epps, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2010

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$13,800	\$15,800	\$15,459	(\$341)
Licenses and permits	16,100	14,400	14,387	(13)
Intergovernmental revenue - state and federal grants		56,000	59,892	3,892
Local grants			5,000	5,000
Fines	45,000	40,000	41,983	1,983
Rent	263,000	132,500	128,043	(4,457)
Mowing	3,000	2,500	2,503	3
Other revenue	10,000	5,000	2,938	(2,062)
Total revenues	<u>350,900</u>	<u>266,200</u>	<u>270,205</u>	<u>4,005</u>
EXPENDITURES				
General government:				
Personal services	201,000	207,000	233,817	(26,817)
Operating services	94,300	93,950	76,073	17,877
Materials and supplies	18,200	19,700	23,635	(3,935)
Travel and other	6,700	9,900	8,497	1,403
Capital outlay		40,000	42,222	(2,222)
Total expenditures	<u>320,200</u>	<u>370,550</u>	<u>384,244</u>	<u>(13,694)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>30,700</u>	<u>(104,350)</u>	<u>(114,039)</u>	<u>(9,689)</u>
OTHER FINANCING SOURCES				
Operating transfer in		110,000	34,741	(75,259)
Proceeds from sale of fixed assets			7,568	7,568
Total other financing sources	<u>NONE</u>	<u>110,000</u>	<u>42,309</u>	<u>(67,691)</u>
NET CHANGE IN FUND BALANCE	30,700	5,650	(71,730)	(77,380)
FUND BALANCE AT BEGINNING OF YEAR	<u>22,000</u>	<u>4,000</u>	<u>4,058</u>	<u>58</u>
FUND BALANCE AT END OF YEAR	<u>\$52,700</u>	<u>\$9,650</u>	<u>(\$67,672)</u>	<u>(\$77,322)</u>

There was one budget amendment during the year ended December 31, 2010.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2010

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government personal services expenditures of the General Fund. Aldermen receive a per diem of \$75 per regular meeting and \$37 per special meeting.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 3.

VILLAGE OF EPPS
Epps, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2010

Shirley Gibson	\$937
Charlie Grimble	937
Roberta Simms	<u>937</u>
Total	<u>\$2,811</u>

VILLAGE OF EPPS
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2010

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2009-1	2008	Inadequate Segregation of Accounting Duties	No	See 2010-1 in current year findings.
2009-2	2008	Inadequate Controls Over Preparation of Financial Statements	No	See 2010-2 in current year findings.
2009-3	2009	Noncompliance with Established Purchasing Policy	No	See 2010-3 in current year findings.

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and major funds of the Village of Epps, as of and for the year ended December 31, 2010, which collectively comprise the Village of Epps' basic financial statements and have issued my report thereon dated June 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Epps' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Epps' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and another deficiency that I consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of current year findings as 2010-1, 2010-2, and 2010-3 to be material weaknesses.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2010

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

I consider the deficiency described in the accompanying schedule of current year findings as 2010-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Epps' financial statements are free of material misstatement, I performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as 2010-5 and 2010-6.

The Village of Epps' responses to the findings identified in my audit are described in the accompanying schedule of current year findings and management's planned corrective action. I did not audit the Village's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the mayor, board of aldermen and management of the Village of Epps, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
June 28, 2011

**VILLAGE OF EPPS
Epps, Louisiana**

**Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2010**

I have audited the financial statements of the governmental activities, the business-type activities, and major funds of the Village of Epps, as of December 31, 2010, and for the year then ended, which collectively comprise the Village's basic financial statements and have issued my report thereon dated June 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of December 31, 2010 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency Yes No

Material Weakness Yes No

Compliance

Compliance Material to Financial Statement Yes No

Section II - Financial Statement Findings

2010-1. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: There is an inadequate segregation of duties over billing, collecting, posting, and depositing of water and sewer sales receipts. One person is responsible for all of the above duties.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2010

Management's Planned

Corrective Action : It is not economically feasible to correct this deficiency based on the size of the Village and its limited revenues.

2010-2. Inadequate Controls Over the Preparation of Financial Statements

Criteria: Management is required to prepare financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect, or correct a misstatement of those financial statements.

Condition: Accounting personnel do not have the expertise to prepare financial statements and disclosures in accordance with generally accepted accounting principles.

Effect: Misstatements in the financial statements may occur and not be detected within a timely period.

Recommendation: I recommend that management make a determination as to whether or not the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefits to be derived from doing so.

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the Village and its limited revenues.

2010-3. Noncompliance with Established Purchasing Policy

Criteria: In April 2009, the board of aldermen approved a purchasing policy that requires that a purchase order, signed by the mayor, be issued for all purchases of \$100 or more.

Condition: I selected 60 disbursements made during the year and noted that for 4 of those 60 disbursements no purchase order was issued as required by the purchasing policy. It was noted that all of missing purchase orders were for disbursements made from the Water and Sewer Enterprise Fund.

Effect: The failure to adhere to established purchasing procedures could result in unauthorized purchases being made by employees of the village.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2010

Recommendation: The board of aldermen and mayor should require that employees comply with the established purchasing policy.

Management's Planned

Corrective Action: Effective July 1, 2011, purchase orders will be issued for all purchases over \$100.

**2010-4. Inadequate Controls over Water and Sewer
Fund Accounts Receivable**

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies were noted in the internal controls over the Water and Sewer Fund accounts receivable accounting records:

1. Billing adjustments totaling \$15,357 made to customer accounts for billing errors were not posted to the general ledger Accounts Receivable account by the outside accountant.
2. For the months of August, September, November, and December 2010, the penalties charged to customers were not posted to the general ledger by the outside accountant.
3. The accounts receivable worksheet prepared by the clerk and used by the outside accountant to post to the general ledger was not properly completed for all billings, adjustments, and penalties.

Effect: The failure to properly maintain the general ledger Accounts Receivable account resulted in errors not being detected within a timely period.

Recommendation: The Water and Sewer Fund accounts receivable balance recorded in the general ledger should agree to the accounts receivable balance recorded in the utility billing software at the end of each month. This reconciliation will help ensure that all billings, customer payments, and adjustments are properly recorded.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2010

Management's Planned

Corrective Action: We will review the monthly accounts receivable reconciliations in order to ensure that all billings, customer payments, and adjustments are properly recorded in the general ledger.

2010-5. Noncompliance with Local Government Budget Act

Criteria: Louisiana R.S. 39:1310 requires that the Village adopt a budget amendment when actual revenues and other financing sources fail to meet budgeted revenues and other financing sources by 5% or more.

Condition: For the year ended December 31, 2010, actual General Fund revenues and other financing sources were \$63,686 (16%) less than budgeted revenues and other financing sources.

Effect: Violation of the Local Government Budget Act

Recommendation: I recommend that a budget amendment be adopted when actual revenues and other financing sources fail to meet budgeted revenues and other financing sources by 5% or more.

Management's Planned

Corrective Action: We will comply with the Local Government Budget Act for the year ending December 31, 2011.

2010-6. Payment of Employee Christmas Bonuses

Criteria: Article VII, Section 14 of the Louisiana Constitution prohibits the donation of public funds to a person or public or private association or corporation. Advancing wages or paying bonuses to employees is considered a donation of public funds.

Condition: For the year ended December 31, 2010, the Village paid its employees a total of \$900 in Christmas bonuses.

Effect: Violation of Article VII, Section 14 of the Louisiana Constitution.

Recommendation: I recommend that the Village not pay Christmas bonuses to its employees.

Management's Planned

Corrective Action: No bonuses will be paid to employees in the future.